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Regional Economic Observer



Fourth Quarter, 1999

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The "Regional Economic Observer" (REO) provides a snapshot of provincial economic conditions in a convenient format. The REO does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. This report uses data available as of January 27, 2000. It has been prepared by Marianne Blais, Julie Dubois, André Patry and Karen Smith under the direction of Raynald Létourneau. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada, the Canada Mortgage and Housing Corporation, and the Canadian Real Estate Association.

Regional Highlights: Fourth Quarter 1999

West

British Columbia's economy picked up in the third quarter, after a sluggish performance in 1998 and early 1999. Industrial activity surged, sustained by higher exports of wood products as residential construction activity in the U.S. maintained its strong pace. Higher consumer confidence also supported a firming of domestic demand. Employment recovered in the fourth quarter, suggesting that local economic conditions should improve further in coming months.

In the Prairies, economic activity is slowly improving, dampened by a struggling agricultural sector. After weak growth in the first half of 1999, industrial activity and consumer spending recorded notable gains in the third quarter, except in Manitoba where manufacturing shipments declined further. Nonetheless, employment was higher in the three provinces, which in turn led to lower unemployment rates in the fourth quarter. However, on a yearly basis, with the exception of Manitoba, the unemployment rate was up in 1999, as an increased labour force more than offset employment gains.

Central

Economic growth in Central Canada was supported by increased activity in manufacturing, led by the automotive and aircraft industries, and in retail trade.

In the fourth quarter, the unemployment rate declined as employment gains, particularly strong in Quebec, offset a rising labour force. Labour markets strengthened in 1999. Overall employment growth compared with 1998 was slightly greater in Quebec, but still above the national average in Ontario. Moreover, almost all the jobs created in the two provinces were full-time.

Atlantic

In the first half of 1999, economic activity in Atlantic Canada was fuelled by construction on major projects, such as Terra Nova, Sable Island, and highway construction as well as expansion of a refinery in Saint John. The economy also benefitted from a surge in industrial activity, fuelled by higher exports of wood and food products. However, the economy slowed down in the third quarter as industrial activity, consumer spending and employment fell in most of the Atlantic provinces.

Economic activity resumed in the fourth quarter, supported by rising employment in New Brunswick, Prince Edward Island and Newfoundland as well as stronger consumer confidence.





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Labour Markets

Job creation recovers in the fourth quarter...

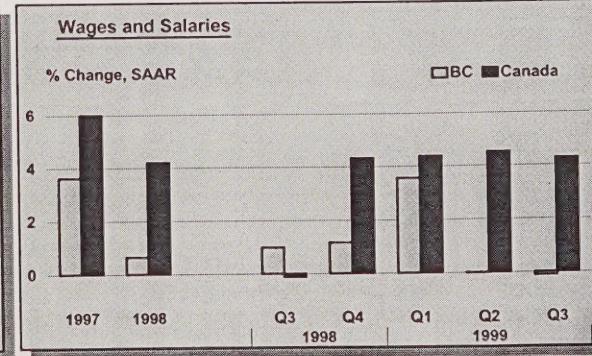
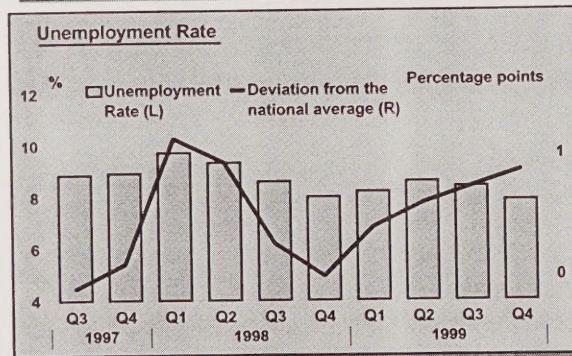
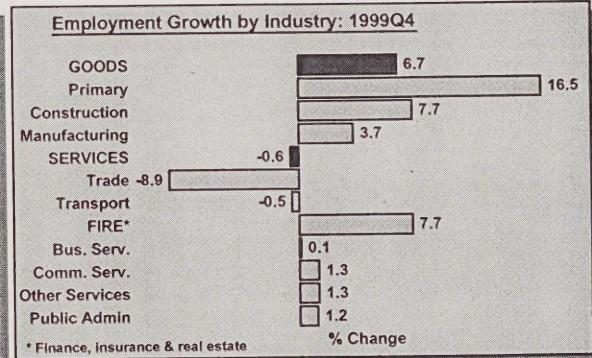
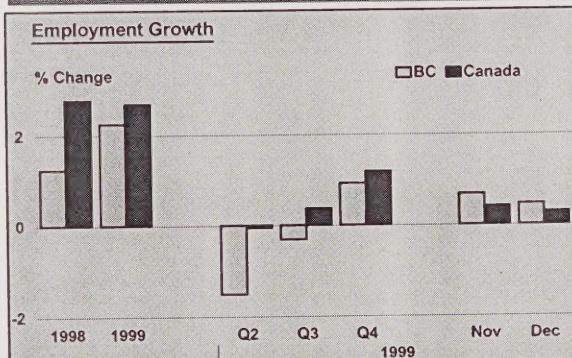
- Employment rose 0.9% in the fourth quarter, slowly recovering from weakness in previous quarters. On a year-over-year basis, employment advanced 2.2% in 1999, its largest gain in three years. Nevertheless, growth remained below the national average for the third consecutive year.
- Gains in the fourth quarter were widespread. Employment growth was particularly strong in primary industries, construction, and finance, insurance & real estate (FIRE). Only trade and transport recorded declines, leading nonetheless to a 0.6% drop in services industries.

...and leads the quarterly unemployment rate to a near 10-year low.

- The unemployment rate decreased further to 7.9% in the fourth quarter, its lowest rate since the beginning of the 1990s.
- Nonetheless, the gap with the national average continued to increase in the fourth quarter due to a bigger decrease in the national rate. The BC unemployment rate gap rose by almost a full percentage point in 1999, contrasting with its 1998 year-end level, when the unemployment rate was at par with the national average.

Wages and salaries decrease slightly in the third quarter.

- Wages and salaries edged down for a second consecutive quarter, reflecting weaker labour market conditions over the period.





Economic Activity and Prices

Resource-based industries sustain growth in manufacturing activity...

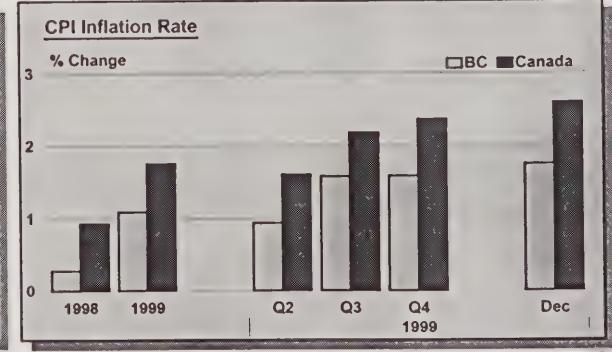
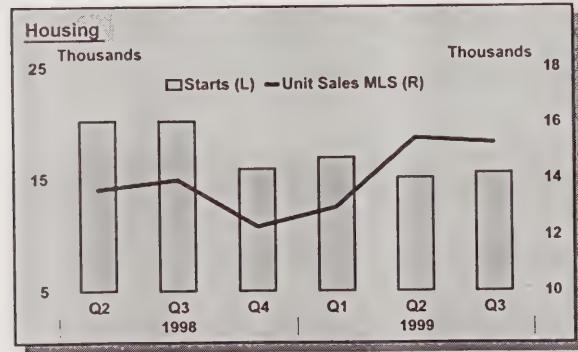
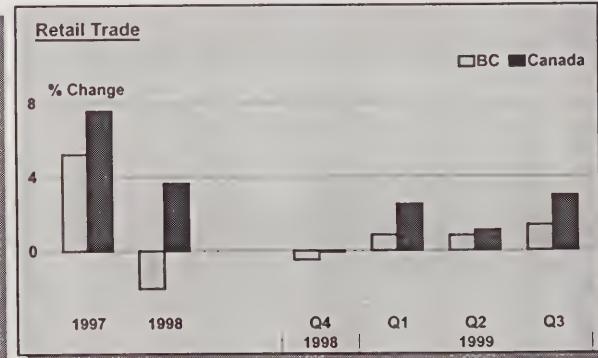
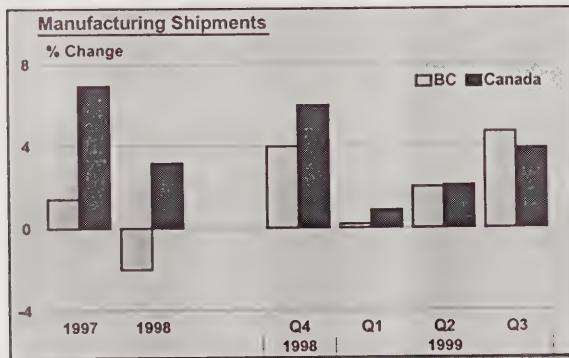
- Manufacturing shipments recorded their fifth consecutive quarterly advance in the third quarter, largely driven by higher output in the wood industry as residential construction remained strong in the U.S. Resource-based industries have led growth of industrial production in the first three quarters of 1999.

...while household spending recovers gradually.

- Retail sales firmed up in the third quarter, rising 1.3%. Retailing activity has picked up since the end of 1998, although growth has remained below the national average.
- Residential expenditures were also constrained by weak labour market conditions and low consumer confidence. Housing starts edged up in the third quarter, after reaching their lowest level since the end of 1984. Home resales fell slightly in the third quarter, following a solid advance in the previous quarter.

Prices rise at a moderate pace in 1999.

- On a year-over-year basis, consumer prices rose 1.6% in the fourth quarter, with higher prices of energy products and health care services accounting for most of this increase. In 1999, inflation was 1.1%, still well below the national average.





Labour Markets

Employment growth remains subdued in the fourth quarter...

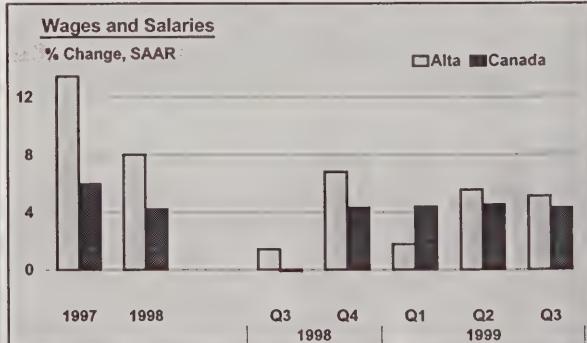
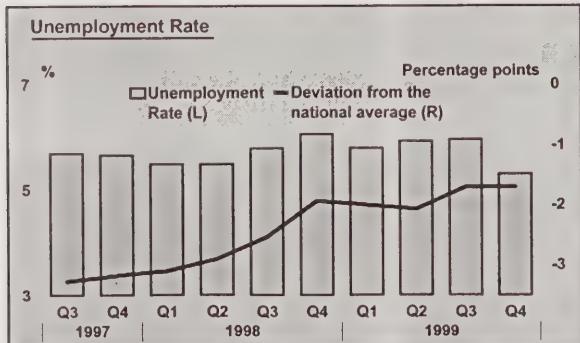
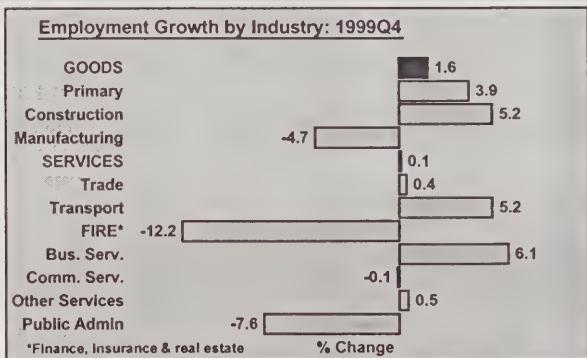
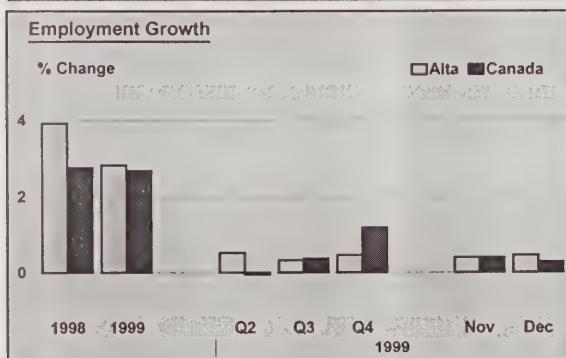
- Employment grew 0.5% in the fourth quarter, keeping the pace set in previous quarters. Overall, employment gains totalled 2.8% in 1999, a rate similar to the national average.
- Gains in the fourth quarter were mostly concentrated in goods-producing industries, where employment rose 1.6%. Job creation in construction and primary industries more than offset losses in manufacturing. Employment in services was little changed from the previous quarter. A fall in FIRE and public administration offset an increase in other services categories, particularly in business services and transportation.

...but drives the unemployment rate further down.

- As a result of both job creation and a falling labour force, the unemployment rate dropped 0.7 percentage points in the fourth quarter to 5.3%, the lowest rate since early 1982.
- The provincial unemployment rate remained 1.7 percentage points below the national rate in the fourth quarter. However, the gap with respect to the national average has closed considerably since the beginning of 1997.

However, earnings record the fastest growth of Western Canada.

- For a second consecutive quarter, growth of wages and salaries exceeded the 5% (SAAR) mark in the third quarter, outpacing the national rate by almost a full percentage point. Although wage growth has remained above the national average in 1999, the gap has narrowed considerably in comparison with previous years.





Economic Activity and Prices

Manufacturing activity slows in the third quarter...

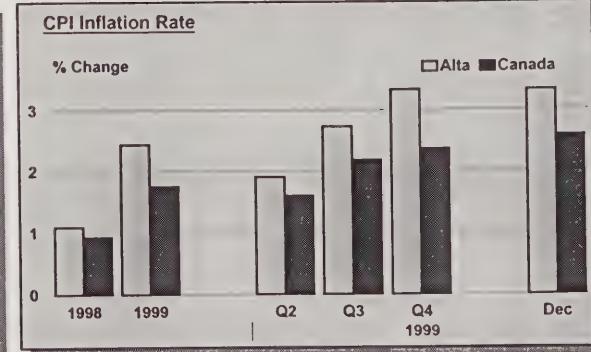
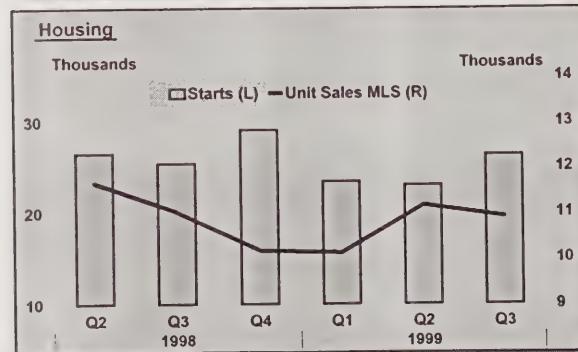
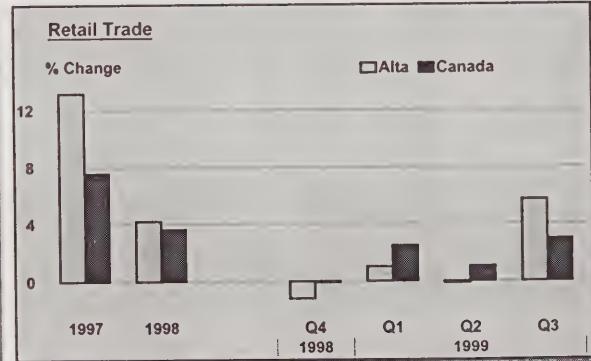
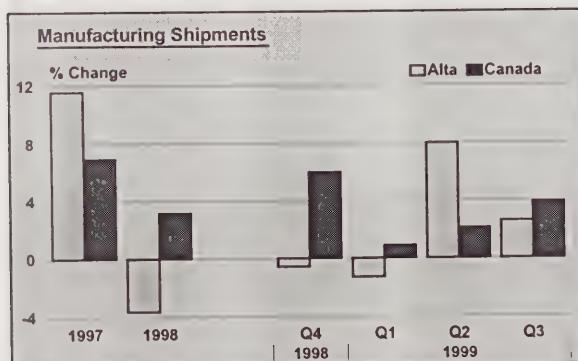
- Manufacturing shipments rose 2.6% in the third quarter, down from a healthy advance of 8.0% in the previous quarter. Lower output of wood and chemical products pulled down manufacturing activity growth below the national average, despite a large increase in shipments of petroleum products.

...while consumer spending surges.

- Retail sales surged in the third quarter, advancing 5.7%, their largest quarterly gain on record (data extend back to 1981). This solid growth in consumer spending reflects improving labour market conditions and a higher consumer confidence.
- Housing construction also recorded important gains in the quarter, partly recouping losses of previous quarters. However, sales of existing homes declined slightly, following a solid advance in the previous quarter.

CPI inflation rises above 3% in the fourth quarter.

- The CPI inflation rate stood at 3.3% in the third quarter, its strongest quarterly rate in almost a decade. The provincial CPI recorded the largest increase in Canada in 1999, rising 2.4%, mostly as a result of higher prices for transportation and shelter.





Labour Markets

Job creation eases in the fourth quarter...

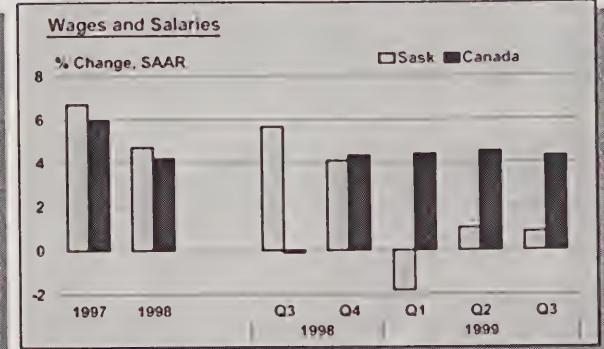
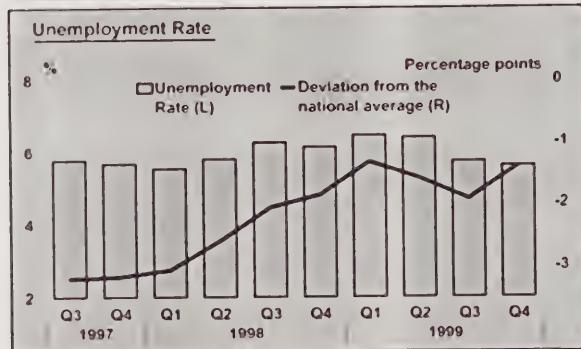
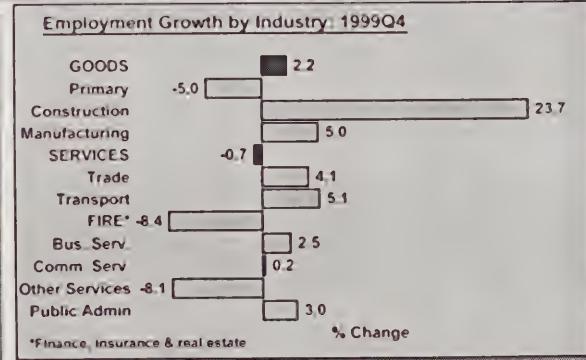
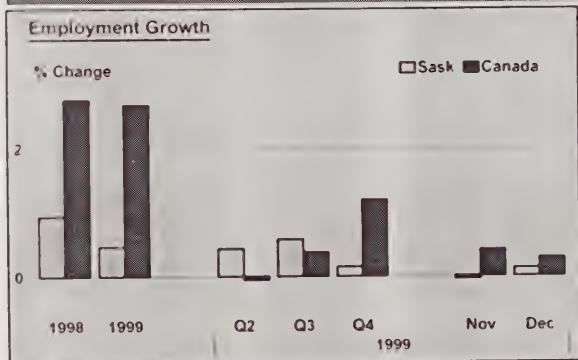
- Employment edged up (0.1%) in the fourth quarter, leading to an overall increase of 0.5% in 1999. This was Saskatchewan's weakest performance in three years, with job growth more than two percentage points below the national average.
- Employment growth in the fourth quarter was shared across most industries, with notable gains in construction, which helped to push employment up 2.2% in the goods sector. However, losses in services-producing industries, mainly in FIRE and other services, offset these gains.

...while the unemployment rate decreases further.

- Despite weak employment growth, the unemployment rate dropped by 0.1 percentage points in the fourth quarter to 5.6%, its third consecutive decline.
- Weak job creation in recent months resulted in a narrowing of the unemployment rate gap to about one percentage point below the national average.

Earnings increase while farm cash receipts are plummeting.

- Wages and salaries rose at a moderate pace for a second consecutive quarter. They have been growing at a slower pace than the national average so far in 1999, a departure from the solid performance of recent years.
- However, on a year-over-year basis, farm cash receipts, which are not included in earnings, recorded a major decline in the first nine months of the year in comparison with the same period in 1998 (-6.0%). Farm cash receipts were severely hit by lower crop prices as crop receipts account for nearly two-third of total receipts.





Economic Activity and Prices

Quarterly growth in Manufacturing shipments reaches a 3-year high ...

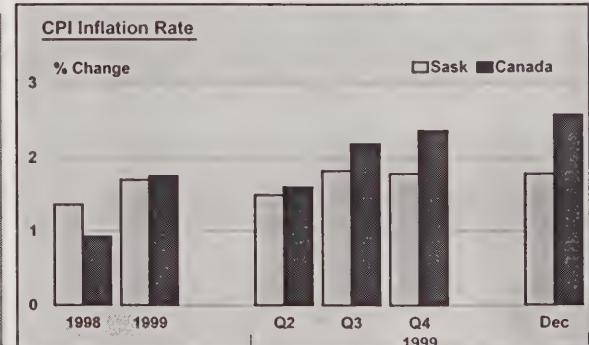
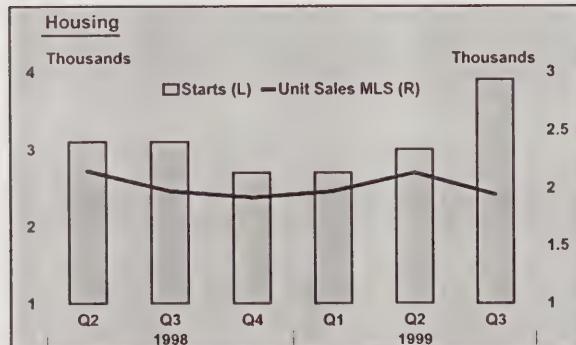
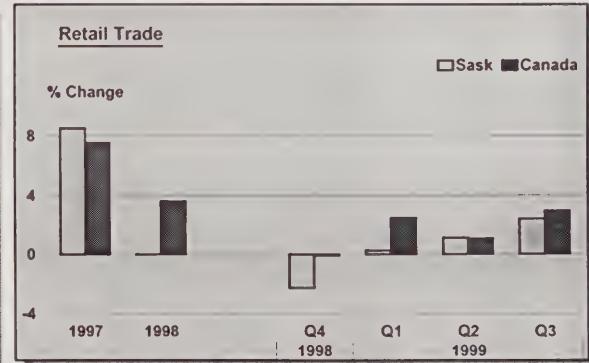
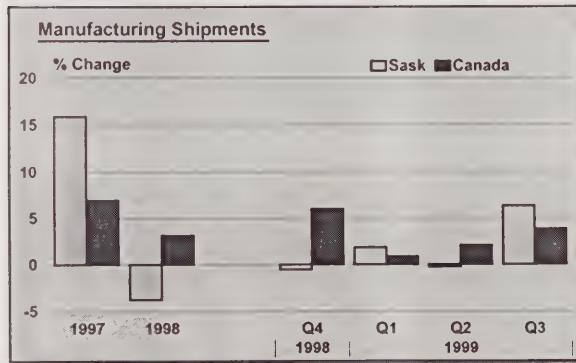
- Manufacturing shipments strengthened in the third quarter, led by a recovery in the food industry as well as higher production of machinery and chemical products.

...and consumer spending continues to rise.

- Retail sales increased further in the quarter, recording their highest growth so far this year. However, growth was below the national average in the third quarter.
- New housing construction rose sharply over the quarter to reach its highest level in more than a decade, while sales of existing homes departed from their upward trend of recent quarters, and fell 9.0%.

Prices rise at a slower pace than the national average in the fourth quarter.

- The consumer price index (CPI) rose 1.8% in the fourth quarter, well below the national average of 2.4%. Energy prices increased at a slower pace in the province than in the rest of the country. Overall, the CPI was up 1.7% in 1999, slightly below the national average.





Labour Markets

Employment strengthens in the fourth quarter...

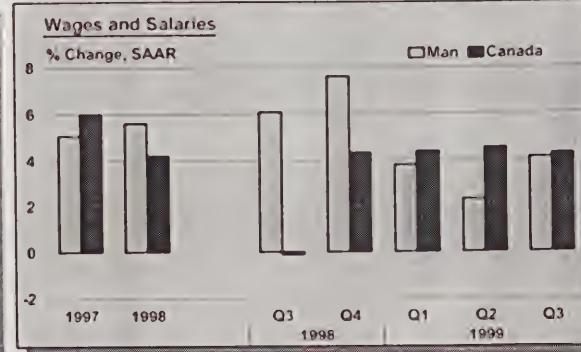
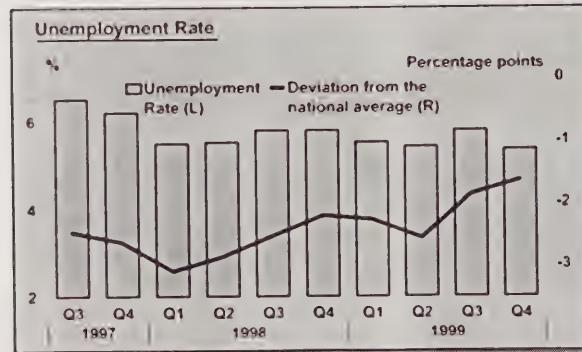
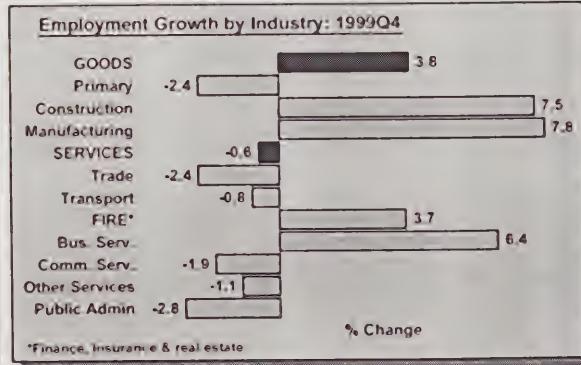
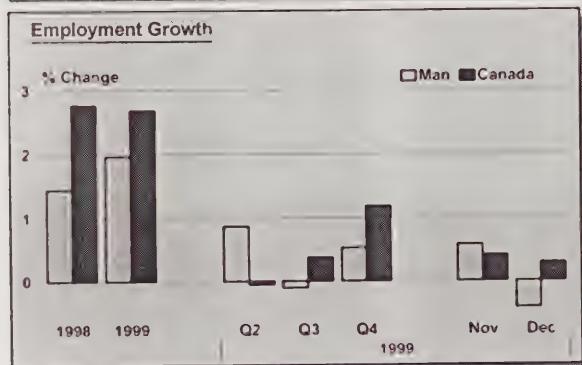
- Job gains totalled 0.5% in the fourth quarter, more than offsetting losses in the previous quarter. Although growth was relatively volatile throughout the year, employment rose 2.0% in 1999.
- Gains were shared among manufacturing, construction, business services, and FIRE in the fourth quarter. All other industries reported losses, particularly public administration, trade, and primary industries. Overall, this led to a strong growth in goods-producing industries, while employment in services declined slightly.

...leading to a lower unemployment rate.

- The unemployment rate fell 0.4 percentage points, edging down to 5.4% in the fourth quarter, its lowest rate in 20 years.
- Despite lower unemployment rate in the province, the gap with the national average narrowed significantly to 1.6 percentage points below the national average, reflecting relatively weaker job creation.

Wages bounce up in the third quarter.

- Wages and salaries advanced at their fastest pace (+4.1%) of the year in the third quarter, but growth still remains slightly below the national average.
- Despite lower grain prices, farm cash receipts recorded a 5.2% increase in the first nine months of the year, in comparison with the same period a year earlier, helped by a more diversified agriculture sector than Saskatchewan. Crop, livestock – which accounts for almost 40% of total receipts – and program payment receipts all rose.





Economic Activity and Prices

Manufacturing activity weakens further in the third quarter...

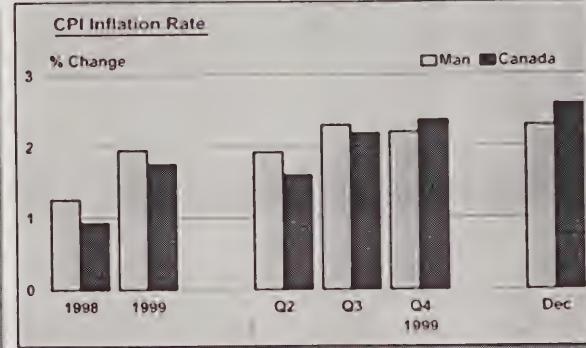
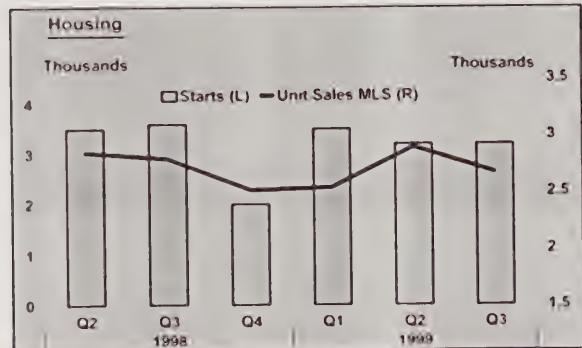
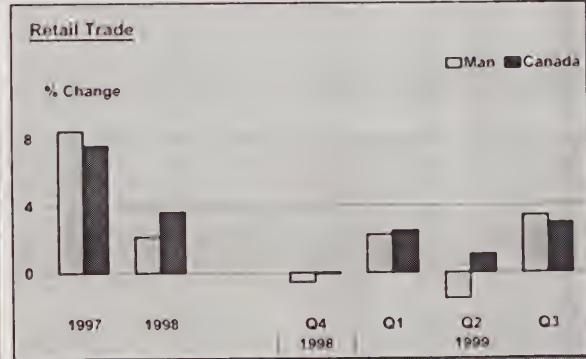
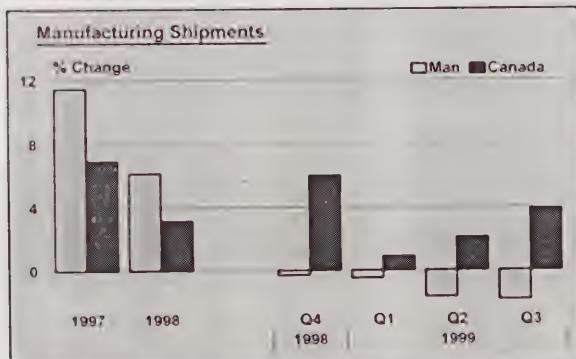
- Manufacturing shipments fell in the third quarter (-1.8%), as a result of lower production of durable goods, particularly of machinery & equipment and transportation equipment. Industrial activity has been weakening since the end of 1998.

...and household spending figures are mixed.

- Retail sales picked up in the third quarter and advanced 3.4%. This was the strongest quarterly advance recorded since the beginning of 1996.
- However, housing activity did not show much signs of improvement as new starts were unchanged, while sales of existing houses declined 7.8%.

The inflation rate increases further as transportation prices rise sharply.

- On an annual basis, the CPI increased 2.2% in the fourth quarter, keeping pace with the previous quarter. This increase was driven by higher prices for energy, which pushed transportation prices up. Overall, the CPI rose 1.9% in 1999, slightly above the national average.







Labour Markets

Employment conditions improve in the fourth quarter ...

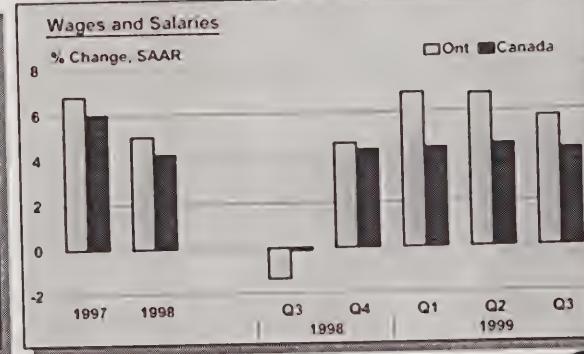
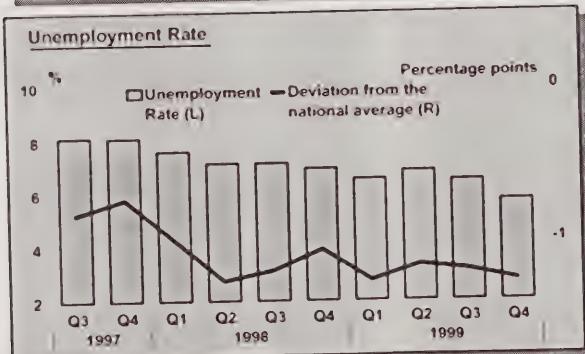
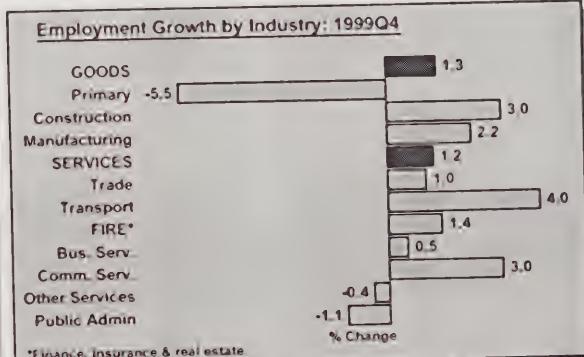
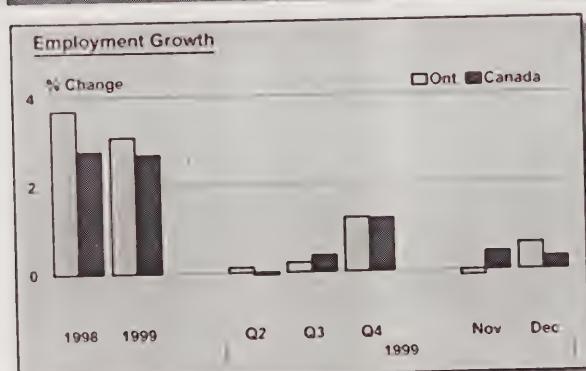
- Ontario was still among the growth leaders in 1999 despite smaller employment gains (+3.1%) compared with 1998 (+3.7%). Almost all of the new jobs in 1999, generated mostly in the first and the last quarters of the year, were full-time jobs.
- In the fourth quarter, job creation was broadly based with employment rising in most industries. Leading sources of job growth were transportation, construction and community services. The primary sector recorded the largest fall.

... and the unemployment rate edges down.

- As a result of robust employment growth, the unemployment rate fell to 5.7% in the fourth quarter, reaching its lowest rate since the second quarter of 1990.
- The Ontario unemployment rate averaged 1.2 percentage points below the national average in 1999, the largest gap in a decade.

Wages and salaries continue to increase at a healthy pace.

- Following two quarters of strong growth, wages and salaries slowed down in the third quarter, largely as a result of a decline in the growth of average weekly hours worked





Economic Activity and Prices

Ontario's economy remains strong in the third quarter, as higher exports boost manufacturing activity...

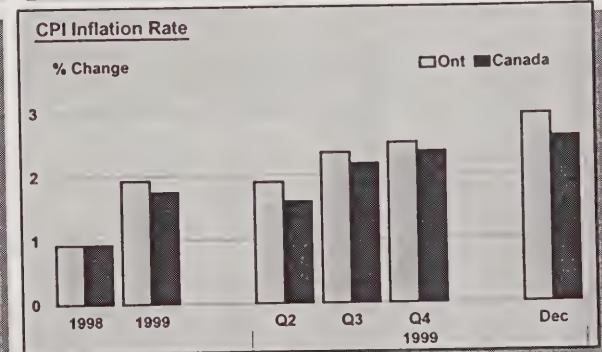
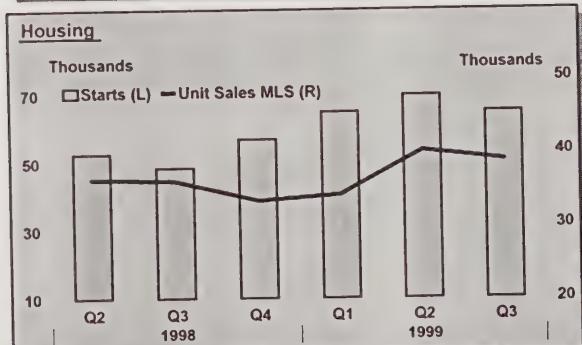
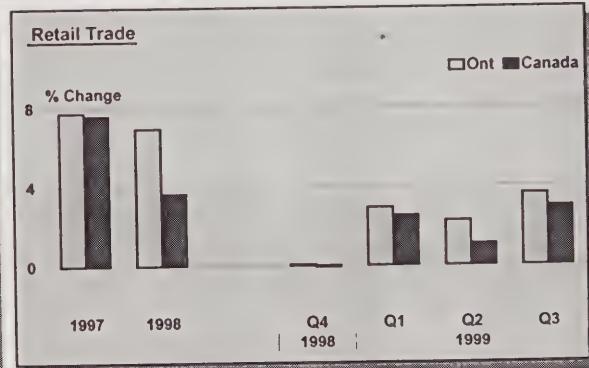
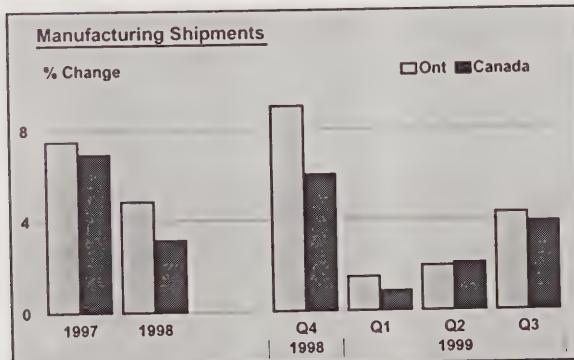
- Manufacturing shipments jumped 4.3% in the third quarter led by a recovery in the transportation industries. The automotive sector, supported by strong auto exports, was the main contributor to this increase. Large gains were also reported in electrical and electronic products, and in paper and allied products industries.

... and households stay confident.

- Retail sales increased 3.6% in the third quarter of 1999, the strongest quarterly gain in almost five years. Retail activity in Ontario has remained stronger than in the rest of Canada in the first nine months of 1999, keeping the same trend observed in the previous year.
- The housing market remained healthy in the third quarter. Housing starts went back to their level recorded in the first quarter and home resales edged down after a solid increase (17.5%) in the second quarter. On a yearly basis, housing starts were up 23.2% over the first nine months of 1999 compared with the same period of the previous year.

The CPI inflation rate is on the rise.

- Ontario's CPI inflation rate increased steadily over the course of 1999, rising from 0.9% in the first quarter to 2.5% in the last quarter when inflationary pressures came mainly from higher costs for transportation, recreation, education and reading material. On an annual basis, consumer prices rose 1.9% in 1999, outpacing the national average.





Marché du travail

La forte croissance de l'emploi au quatrième trimestre...

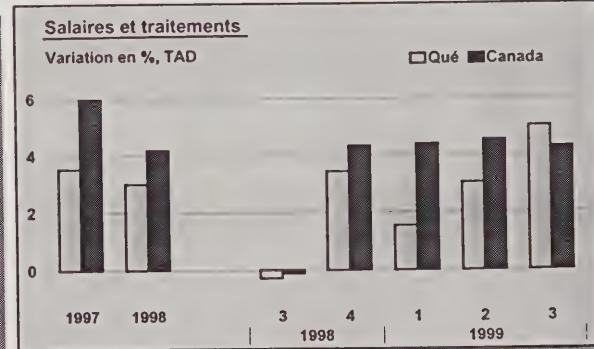
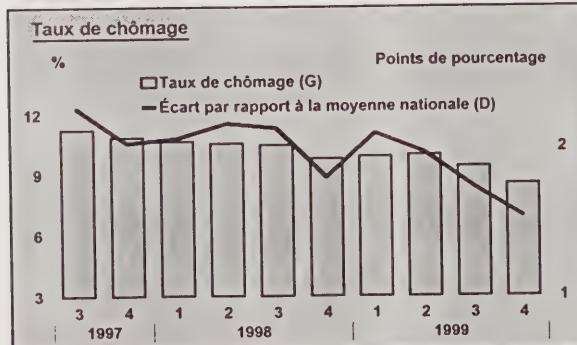
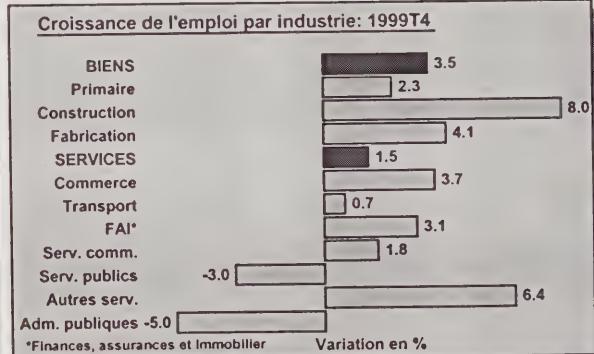
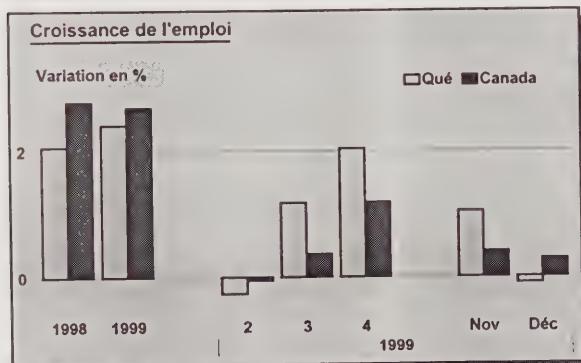
- Malgré les pertes enregistrées en décembre, l'emploi s'est accru de 2,0% au quatrième trimestre de 1999, faisant suite aux gains de 1,2% au troisième trimestre et à la baisse de 0,3% au trimestre précédent. En 1999, l'emploi a connu une augmentation annuelle de 2,3%, une progression entièrement attribuable aux emplois à temps plein, le nombre d'emplois à temps partiel ayant diminué.
- La croissance de l'emploi au quatrième trimestre s'observait dans la grande majorité des secteurs. Seuls les services et les administrations publiques ont accusé des pertes. La forte croissance de l'emploi dans le secteur de la construction fait suite à deux trimestres de baisses importantes. Quant à la croissance vigoureuse de l'emploi dans les autres services, elle provient principalement du secteur de l'hébergement et de la restauration.

... fait chuter le taux de chômage.

- Au quatrième trimestre, le taux de chômage a reculé pour un second trimestre consécutif et a atteint 8,5%, le plus faible taux observé depuis 1976.
- Au cours de l'année 1999, l'écart entre les taux de chômage observés au Québec et au Canada s'est de beaucoup atténué. Au dernier trimestre, il s'est fixé à son plus bas niveau depuis plus de quatre ans, soit à 1,5 point de pourcentage au-dessus de la moyenne nationale.

La croissance des salaires et traitements s'accélère.

- Au cours des trois premiers trimestres de 1999, la croissance annualisée des salaires et traitements au Québec a augmenté progressivement. Elle a atteint 5,0% au troisième trimestre et a dépassé la croissance des salaires et traitements enregistrée au Canada pour la première fois depuis le deuxième trimestre de 1998.





Québec

Activité économique et prix

Le regain de l'activité économique prend source dans le secteur de la fabrication...

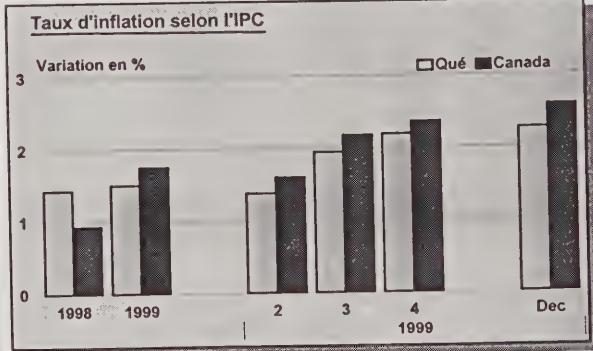
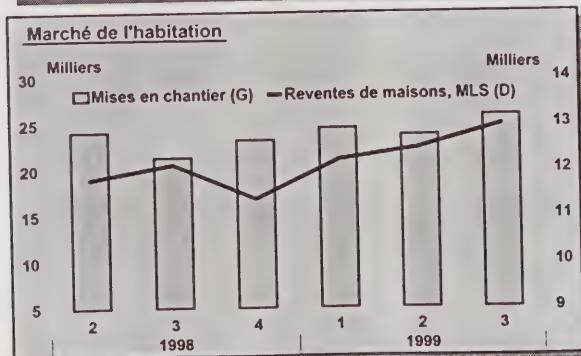
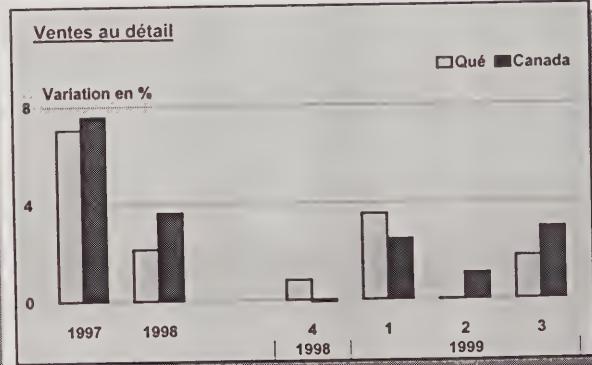
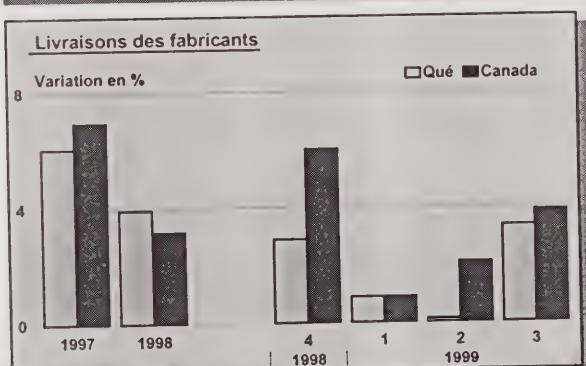
- Après avoir stagné au deuxième trimestre, les livraisons des fabricants se sont accrues de 3,3% au troisième trimestre. L'industrie qui a contribué le plus à cette croissance est celle du matériel de transport surtout grâce à la hausse des livraisons des aéronefs et des pièces d'aéronefs. Les industries du papier et des produits connexes ont aussi grandement contribué à la hausse des livraisons totales.

... ainsi que dans celui des ventes au détail et du logement.

- Les ventes au détail ont augmenté de 1,7% au troisième trimestre après avoir stagné au trimestre précédent. La hausse des ventes des concessionnaires de véhicules automobiles, des stations service et des magasins à rayons explique en grande partie cette croissance.
- Les mises en chantier ont repris leur croissance initiée au troisième trimestre de 1998. Quant aux reventes de maisons, elles suivent aussi un mouvement ascendant depuis la fin de l'année 1998.

Les prix poursuivent leur progression.

- Les pressions à la hausse sur l'IPC au quatrième trimestre ont été exercées en grande partie par l'augmentation du prix des transports, des boissons alcoolisées et des produits du tabac ainsi que des loisirs. L'indice des prix à la consommation au Québec, qui s'est accru de 1,5% en 1999, a progressé moins rapidement que l'indice canadien, contrairement à la situation enregistrée en 1998.





Atlantic Canada





Labour Markets

Employment gains are steady in the fourth quarter...

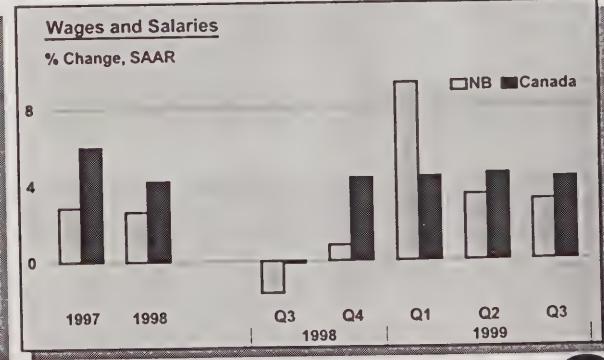
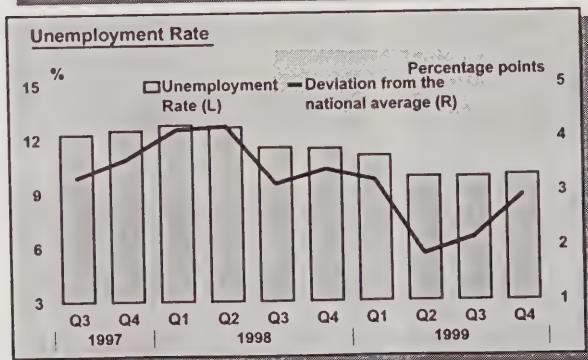
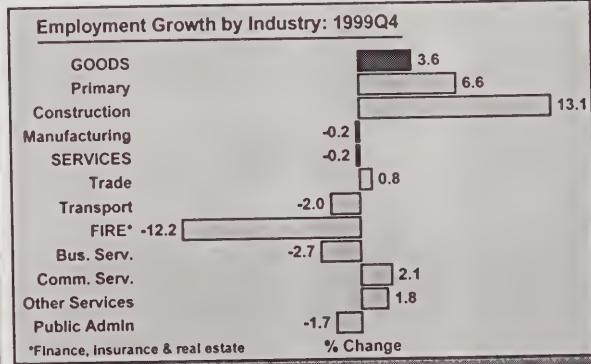
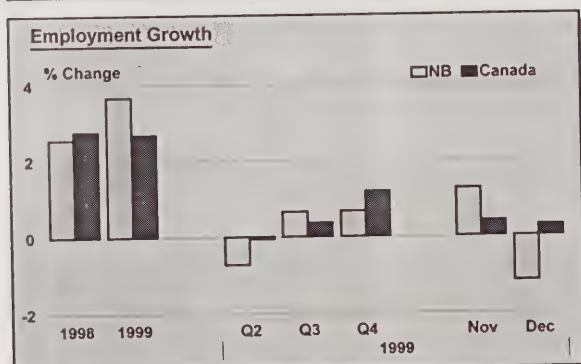
- Strong gains in the first quarter and the last half of the year helped push employment growth above the national average in 1999. On a monthly basis, employment declined in December after posting gains in November.
- With ongoing activity in highway construction, on the province's gas pipelines and on a refinery expansion in Saint John, employment gains were particularly important in the construction sector in the fourth quarter. The finance, insurance and real estate sector registered the largest decline as it fell 12.2%.

... while the unemployment rate edges up.

- After dipping below 10% in the second quarter – for the first time since 1975 – and edging down further in the following quarter, the unemployment rate was up in the fourth quarter, closing in on the 10% mark.
- Recent declines in the unemployment rate have reduced the gap with the national average to its lowest level since 1996 in the second quarter. However, the gap widened to 3 percentage points in the last quarter, but remained below the 1998 level.

Growth in wages and salaries slows down in the third quarter.

- Following an impressive performance in early 1999, gains in earnings edged down to an annual rate of 3.1% in the third quarter, a rate similar to that of previous years.





Economic Activity and Prices

Industrial activity continues to advance in the third quarter...

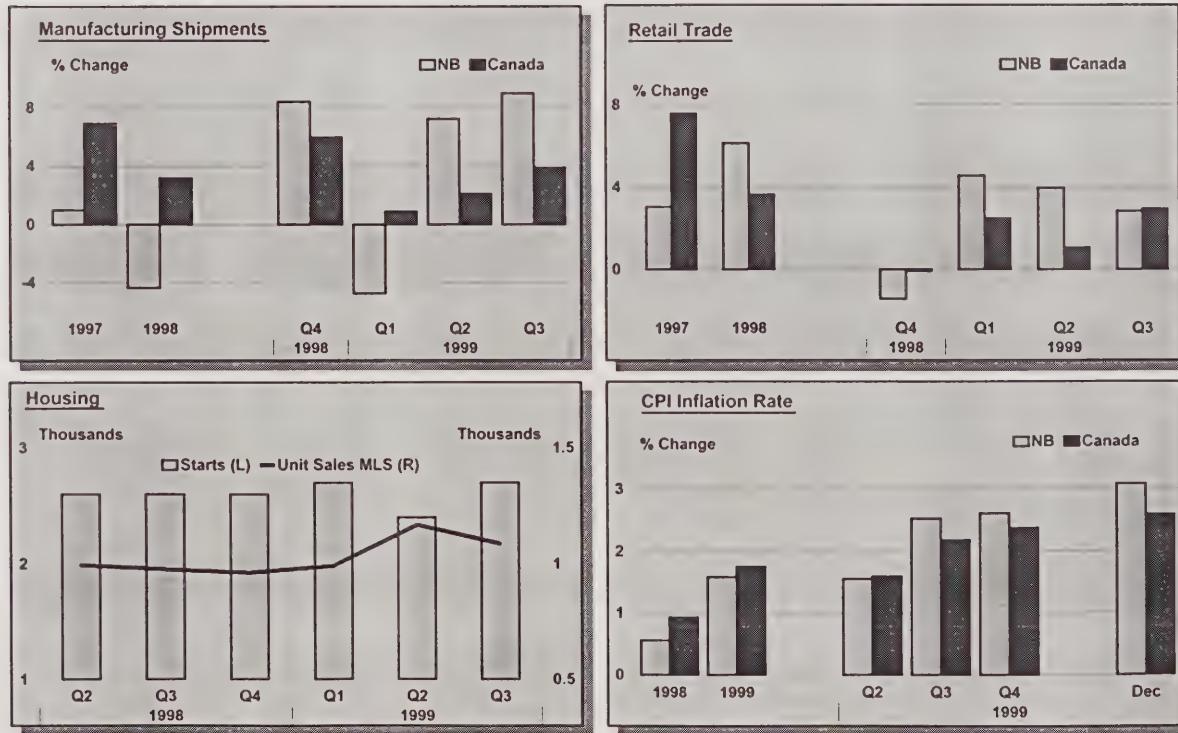
- Manufacturing shipments surged in the third quarter, outpacing by far the national average. Activity was particularly vigorous in the paper industry (+13.2%) as prices for pulp and paper products were on an upward trend. An important gain was also noted in the chemical sector (+10.8%).

... and consumer spending slows...

- Following solid increase in the first half of the year, consumer expenditures slowed to 2.8% in the third quarter as lower growth in earnings held back consumer spending.
- The housing market reported mixed results on the quarter. New housing starts rebounded while existing home sales dropped after registering a 17.5% increase in the previous quarter.

... while inflation picks up.

- The inflation rate crossed the 2% mark in the third quarter for the first time since 1997. The CPI rose further in the fourth quarter with higher transportation prices leading the overall push. On a year-over-year basis, the provincial inflation rate was 3.1% in December, above the national rate of 2.6%.





Labour Markets

Employment retreats in the fourth quarter...

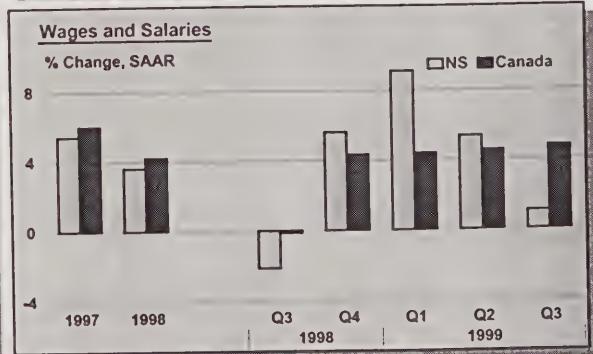
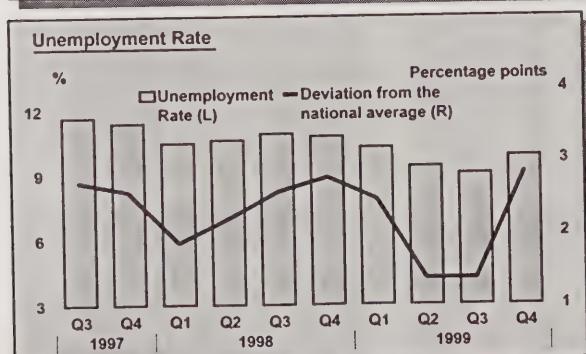
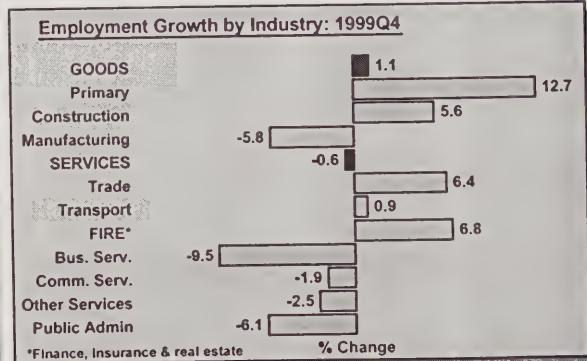
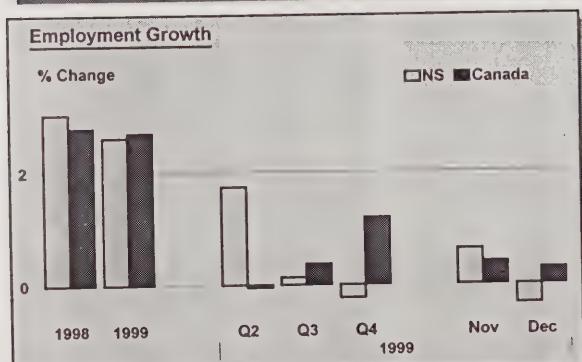
- Provincial employment growth has been keeping pace with the national average in past two years. In 1999, employment gains were concentrated in the first half of the year, but slowed considerably in the third quarter and then declined in the fourth quarter with lower activity on the Sable Island gas project. On a monthly basis, employment edged down 0.3% in December.
- Despite strong gains, particularly in the primary and construction sectors, employment declines in manufacturing, business services and public administration pulled down overall employment in the fourth quarter.

... pushing the unemployment rate up...

- An increase in the labour force combined with a decline in employment pushed up the unemployment rate to 9.8% in the fourth quarter.
- This, coupled with improving labor market conditions at the national level, resulted in a substantial widening of the unemployment rate gap, reaching 3 percentage points above the national average.

... while wages and salaries slow down.

- Growth in earnings slowed following large gains in the first half of the year. Wage growth dropped below the national average as employment growth tumbled over the same period.





Economic Activity and Prices

Industrial activity slows with lower construction on Sable Island...

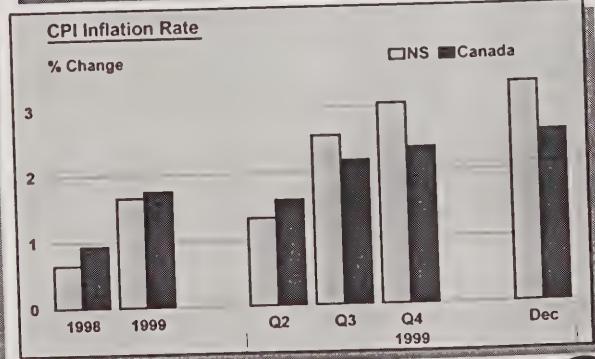
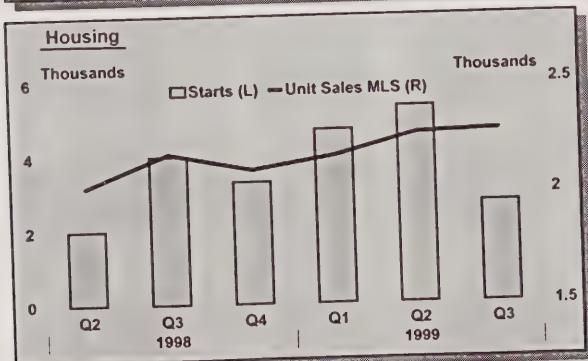
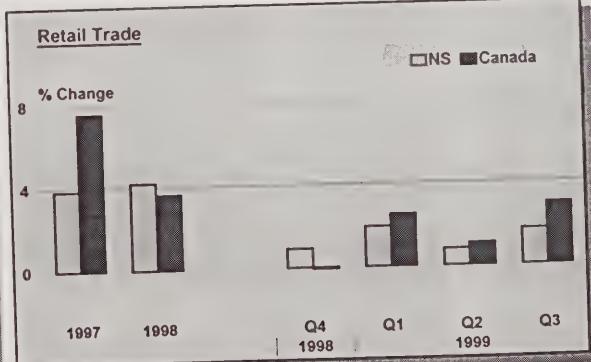
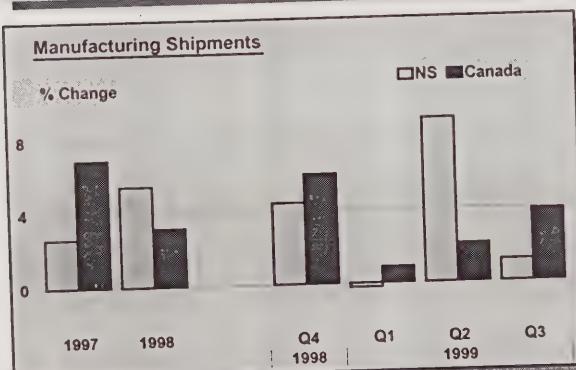
- After reporting its strongest growth since 1987 in the second quarter of 1999, industrial activity fell in the third quarter with the winding down of the construction phase of Sable Island. Following large gains in previous quarters, machinery (-29.9%) and fabricated metal (-15.6%) industries were greatly affected by lower construction activity. Important declines were also noted in the food and textile industries.

... and consumers remain shy in the third quarter...

- With softer gains in wages and salaries, retail trade edged up in the third quarter of 1999. Growth in consumer spending remained below the national average for a third consecutive quarter.
- The housing market lost some of its momentum in the third quarter. New housing starts dropped significantly after three straight increases, and essentially no change was reported in existing home sales.

... with a significant increase in inflation.

- The provincial inflation rate almost matched the national average in 1999 as higher increases were reported in the second half of the year. In the fourth quarter, climbing prices for shelter, transportation and clothing lifted the overall price index to 3.0%. On a monthly basis, the annual inflation rate grew 3.3% in December, the second highest in Canada.





Labour Markets

Employment grew strongly in the fourth quarter...

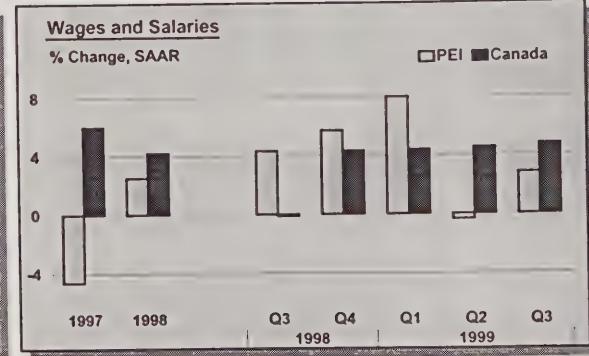
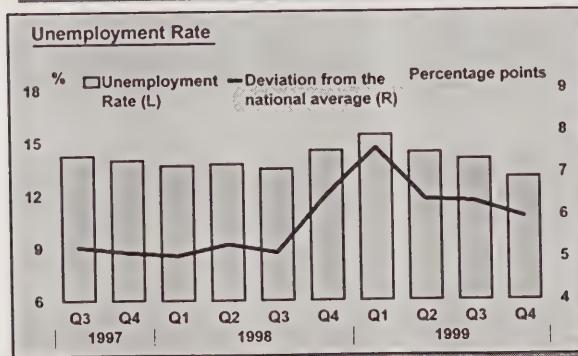
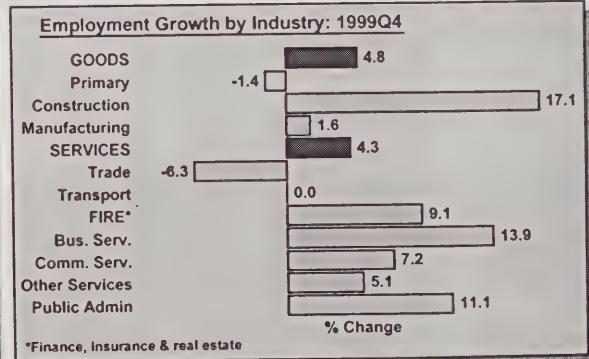
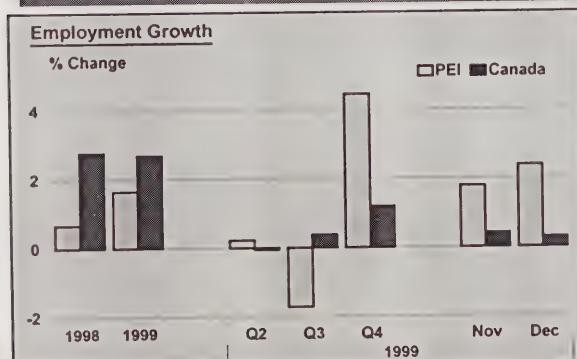
- Job gains picked up in 1999 with a solid advance at year-end. Employment rebounded 4.4% in the fourth quarter, the largest quarterly increase since 1976. On a monthly basis, gains were particularly strong in December with the creation of 1500 new jobs.
- Growth was broadbased with the construction and business services sectors leading the overall push. Declines were only noted in the trade and primary sectors.

... the unemployment rate continues to decline...

- Despite an increasing labour force, a strong advance in employment pushed the unemployment rate down to 13.0% in the fourth quarter, the lowest quarterly rate in a decade.
- The fall in the unemployment rate helped reduce the gap with the national average. However, Prince Edward Island's unemployment rate still remains 6 percentage points above the national level.

... and growth in earnings rebounds.

- After falling in the second quarter, wages and salaries rebounded in the third quarter with a slight increase in the average workweek.





Economic Activity and Prices

Industrial activity slows in the third quarter...

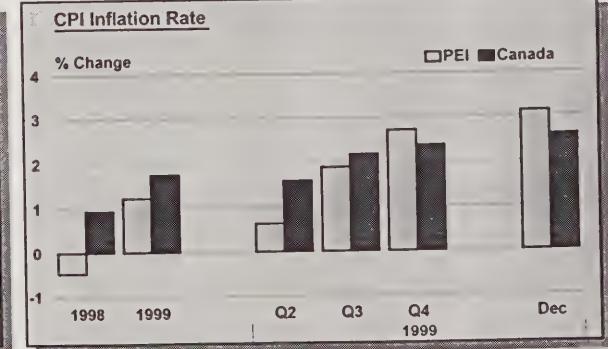
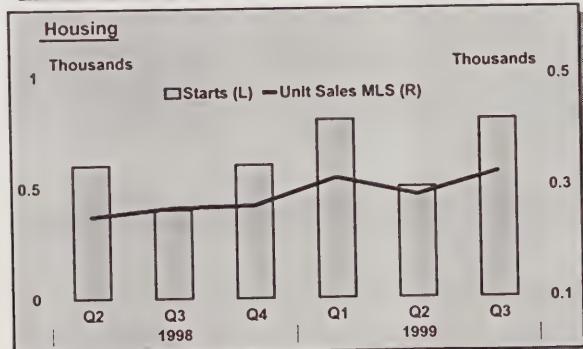
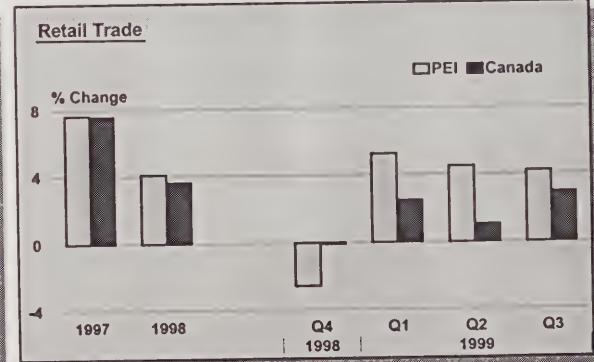
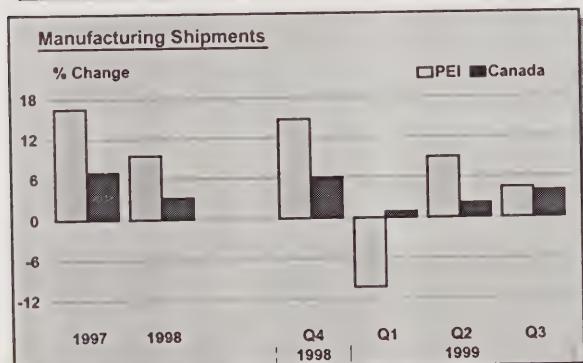
- Following an impressive performance in the second half of 1998, industrial activity has been less vigorous so far in 1999. Growth in manufacturing shipments slowed in the third quarter following a recovery in the previous quarter. The largest declines were reported in the paper (-7.2%) and textile (-6.4%) industries, while strong gains were posted in non-metallic mineral (+17.3%) and transportation equipment (+11.0%) industries.

... but consumer spending continues to advance...

- Consumer expenditures outpaced the national average in 1999. An increasing number of tourists and higher wage earnings boosted retail trade in the province.
- Housing starts and existing home sales were also up in the third quarter, supported by higher income.

... despite higher inflation.

- Following the completion of the Confederation Bridge in 1997, a fall in transportation prices greatly contributed to the period of deflation experienced in 1998 and early 1999. However, inflation has been rising since the second quarter, fuelled by higher energy prices. The CPI inflation rate stood above the national average in the fourth quarter, at 2.7%. In December, the year-over-year inflation rate was 3.1%.





Newfoundland

Labour Markets

Employment rebounds in the fourth quarter...

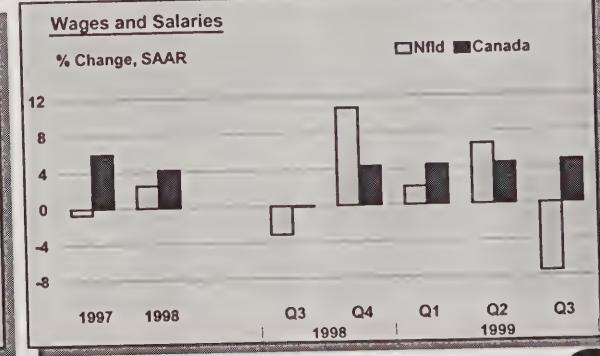
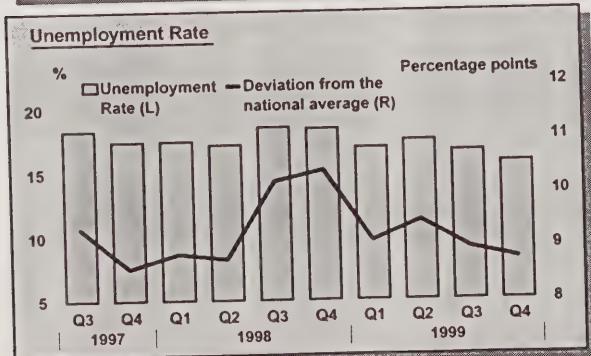
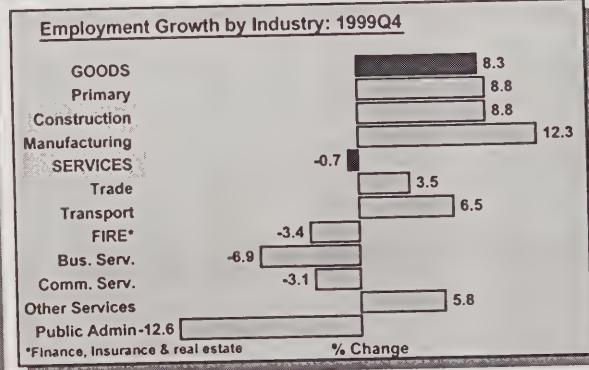
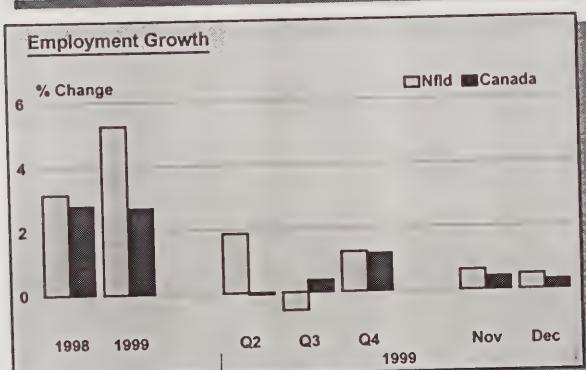
- Newfoundland experienced employment growth above the national average in the first half of 1999. Employment edged down in the third quarter, but recovered in the fourth quarter. Overall, employment advanced 5.3% in 1999, the highest growth rate in Canada.
- Employment gains in the goods industries were broadbased in the last quarter of 1999, while they were mixed in services. The manufacturing, primary and construction sectors led the overall gains while public administration and business services reported the strongest declines.

... pushing the unemployment rate down.

- In the fourth quarter, job gains helped push the unemployment rate down by almost one percentage point to 15.8%. The positive impact of energy-related projects on economic activity and a recovery in the fisheries have led to a steady improvement in labour market conditions.
- Although the gap with the national average narrowed in the fourth quarter, the unemployment rate continues to be high in Newfoundland. The provincial unemployment rate is still roughly 9 percentage points above the national average.

Wages and salaries fall in third quarter.

- Weak employment conditions pulled down wages and salaries in the third quarter, resulting in the largest decline in two years.





Economic Activity and Prices

Industrial activity retreats in the third quarter...

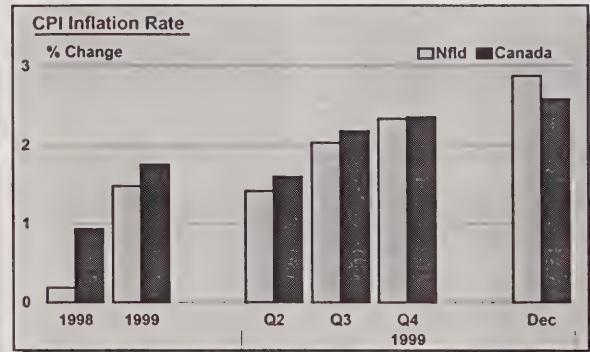
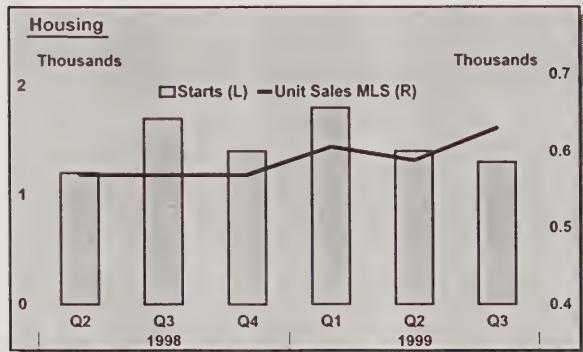
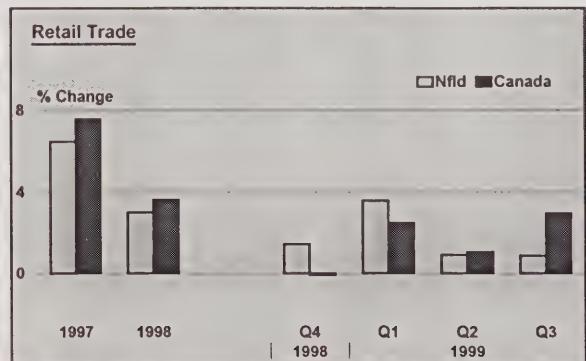
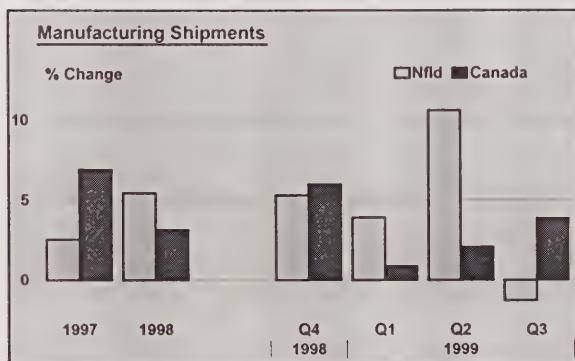
- After reporting healthy growth in the second quarter, industrial activity decreased in the following quarter. Strong declines were noted in non-metallic mineral (-36.0%) and other manufacturing (-21.4%) industries. The wood sector posted the largest advance in the quarter, increasing 18.4%.

... while consumer expenditures remain weak...

- Retail sales advanced strongly in the first quarter but have slowed in the following two quarters to a pace below the national average.
- Housing activity was mixed in the third quarter as existing home sales were up and new housing starts fell for a second consecutive quarter.

... with a rising inflation rate.

- The provincial inflation rate has been well below the national average in 1998 and early 1999. With rising energy prices, however, the gap closed rapidly toward the end of the year. In the fourth quarter, the CPI inflation rate was roughly the same as the national average of 2.3%. On a year-over-year basis, the provincial inflation rate was 2.9% in December.





Territories

A word of caution:

Data for the Territories are less reliable than for the Provinces because of the small size of the samples. They are, therefore, subject to large revisions.

Territories

Economic Activity and Prices

Employment declines further in the third quarter...

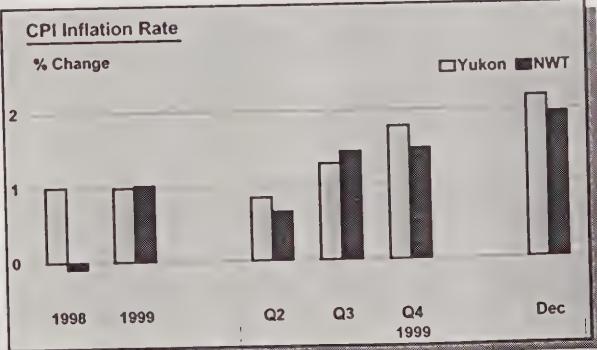
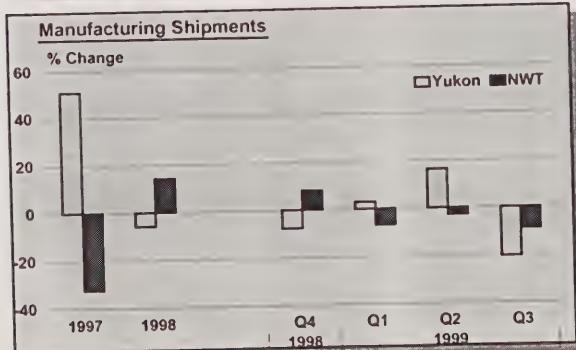
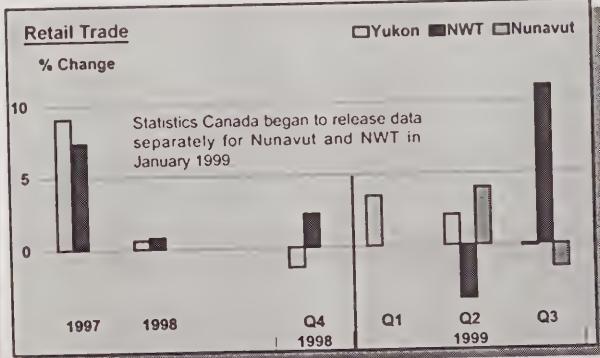
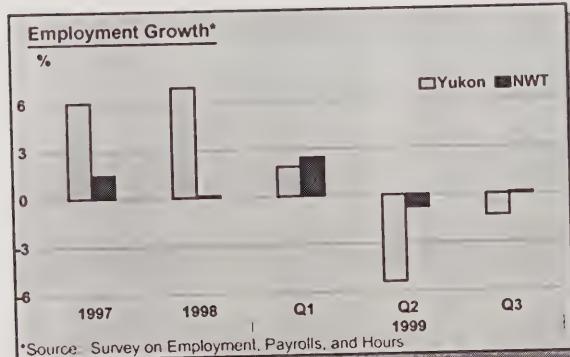
- Employment fell for a second consecutive quarter in the Territories. Job losses were concentrated in the service industries in the Northwest Territories, while the employment decline in the Yukon was led by losses in goods-producing industries.

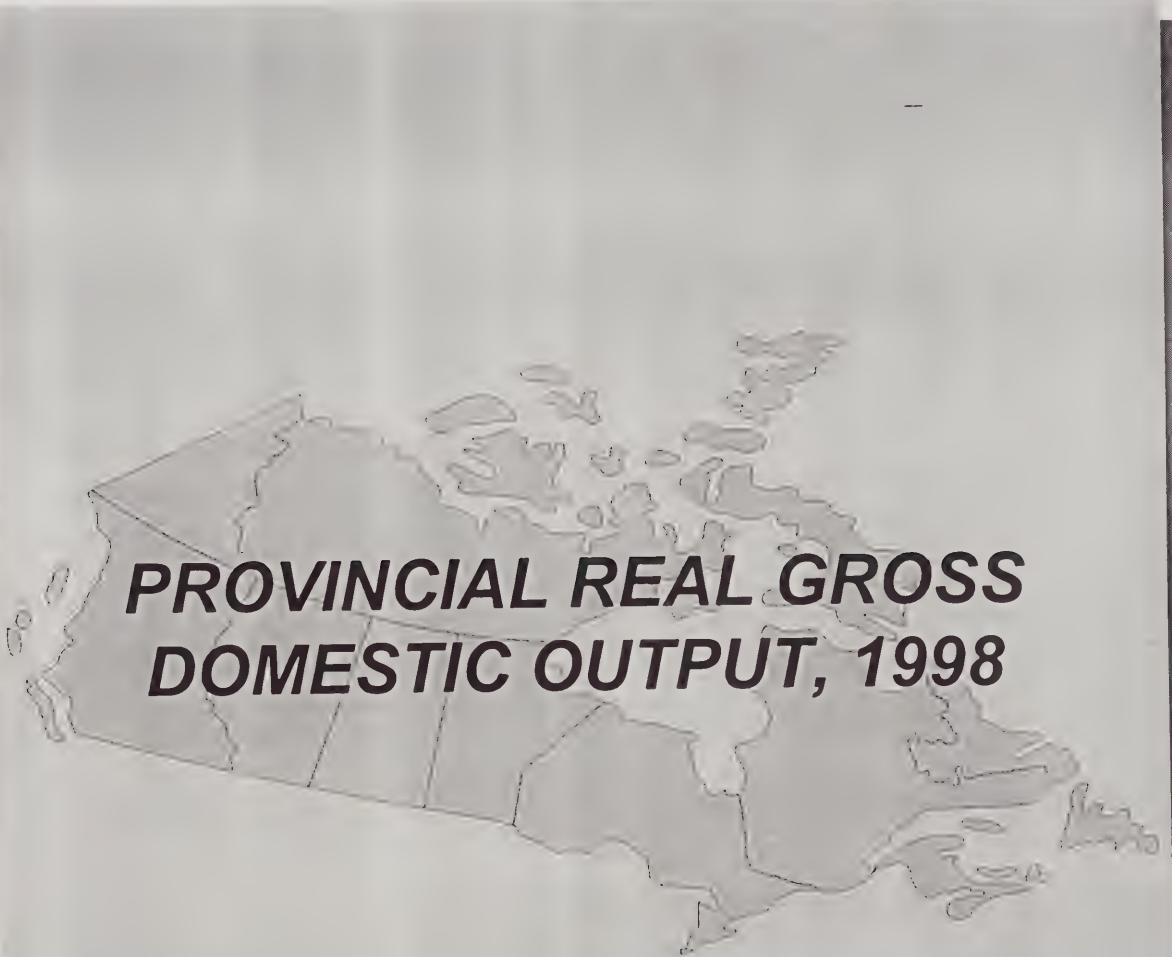
...and data on economic activity are mixed.

- Household expenditures surged in the Northwest Territories and declined slightly in the other Territories. Manufacturing shipments plummeted in the third quarter.

Inflation is subdued.

- The CPI inflation rate rose steadily throughout the year in the Territories, but remained below the 2% mark in the fourth quarter. Prices rose 1.0% in the Yukon and Northwest Territories in 1999.





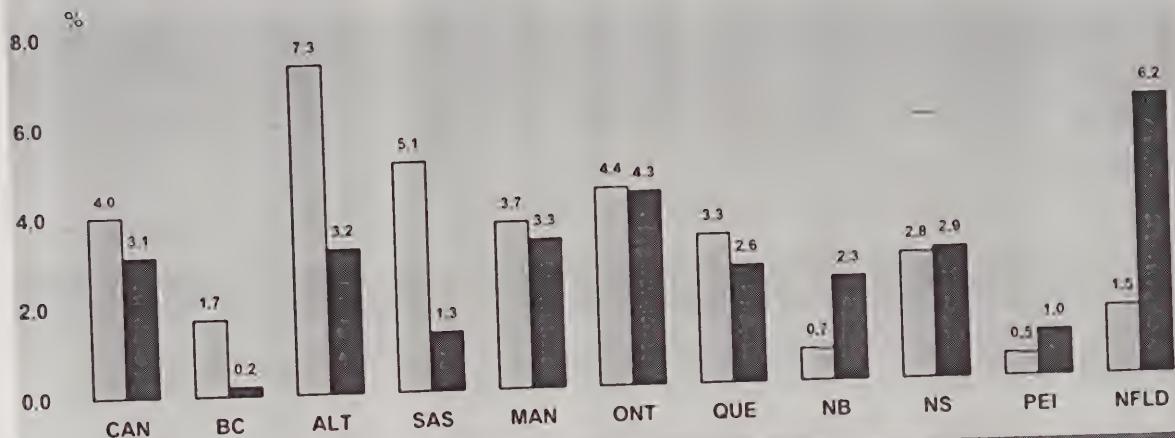
PROVINCIAL REAL GROSS DOMESTIC OUTPUT, 1998

This section presents a brief overview of the 1998 Provincial Economic Accounts released last November by Statistics Canada.

Provincial Real Gross Domestic Output, 1998

Provincial Real Gross Domestic Product

□ 1997 ■ 1998



National real GDP continues to advance in 1998, albeit at a lower pace.

- Real GDP in Canada advanced 3.1% in 1998, down from 4.0% a year earlier. Growth was sustained by exports, as the U.S. economy grew at a solid pace. Machinery and equipment purchases and consumer spending also contributed to growth. Economic activity slowed down in all provinces west of Ontario, while Newfoundland recorded by far the highest growth, outpacing the national average by a large margin.

Real GDP growth softens in Western Canada because of economic turbulence in Asia and weak commodity prices.

- The British Columbia economy grew only 0.2% in 1998, as the economy was largely affected by the Asian crisis, leading to a sharp drop of key export commodities (forestry and mining). Declining residential construction activity also pulled down growth and consumer spending weakened. A strong tourism industry plus gains in high-tech manufacturing and business services offset these declines.
- Despite weak oil and agricultural prices, Alberta's economy grew 3.2%, supported by strong population growth and higher consumer spending. Non-residential investments related to oil exploration and drilling activity declined, which caused related manufacturing activity to edge down.
- In Saskatchewan, economic growth moderated to 1.3% in 1998 as weak commodity prices took their toll on the economy. This led to lower production of crude petroleum, natural gas and wheat. As a result, corporate profits fell more than 20%.

Provincial Real Gross Domestic Output, 1998

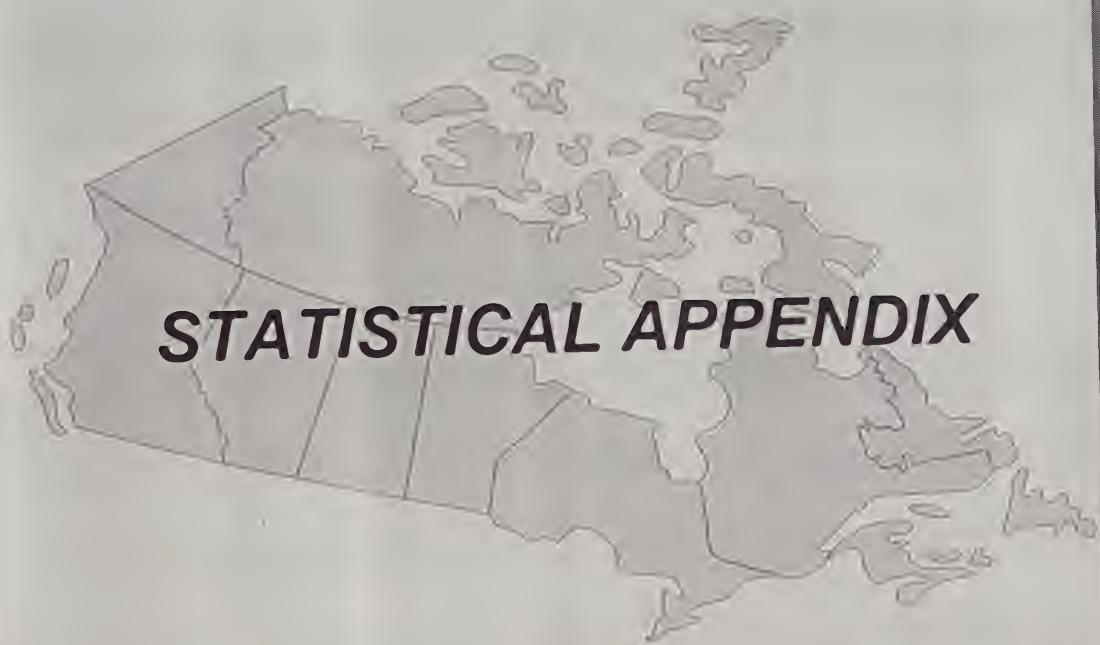
- Manitoba's economy grew 3.3% in 1998, led by gains in manufacturing, construction and agriculture. Manufacturers of transportation equipment expanded output as bus and aircraft maintenance activity rose significantly. Both non-residential and residential construction surged, while consumer expenditure eased.

Manufacturing and construction activity drive economic growth in Central Canada.

- The Ontario economy grew a robust 4.3% for the second year in a row, well above the national average. Broad-based gains in the manufacturing sector as well as strength in retail trade and telecommunications services contributed to growth. In particular, motor vehicle producers as well as producers of electronic and communications equipment benefited from a booming U.S. economy.
- Quebec's GDP rose 2.6% on the strength of production of the high-tech sector -- particularly in telecommunications equipment and computers -- and the reconstruction efforts following the ice storm. Business investment in non-residential construction surged (+30%) as workers rebuilt hydro-electric towers and rewired communities. Declines in pulp & paper and clothing moderated overall growth.

Energy projects boost the Atlantic economy, especially in Newfoundland.

- Growth remained below the national average in New Brunswick as GDP grew 2.3% in 1998. Gains in wholesale, retail trade, manufacturing, business services and public sector activity were partially offset by a fall in the primary and construction sectors. Wholesale trade was boosted by an increase in sales of lumber and building supplies following the ice storm of January 1998.
- The Sable Island project sustained growth in Nova Scotia in 1998, as GDP increased by 2.9%. Non-residential investment and production of primary steel and fabricated metal products largely benefited from the construction activity on the rigs, pipelines and gas processing plants.
- The Prince Edward Island economy grew at a modest 1.0% in 1998. Gains were concentrated in the province's potato crops and potato-related processing industries. Transportation equipment and other machinery also recorded notable increases on the year, while fish processing declined 12.1%.
- Newfoundland led the provinces in economic growth in 1998 with a strong 6.2% increase in GDP, largely as a result of the coming on stream of the Hibernia project and the construction of the Terra Nova platform. Moreover, a strong increase in shrimp landings suggests some renewal in the fisheries.



Key Provincial Data

	1998	1999	1999Q3	1999Q4	Nov. 1999	Dec. 1999
BRITISH COLUMBIA						
Mfg Shipments (\$M)	33,890.2	N/A	9,448.8	N/A	3,171.0	N/A
% change (1)	-2.0	N/A	4.7	N/A	0.0	N/A
Retail Trade (\$M)	33,044.8	N/A	8,441.2	N/A	2,806.9	N/A
% change	-2.0	N/A	1.3	N/A	-0.2	N/A
Housing Starts (000's)	20.0	N/A	15.4	N/A	18.8	N/A
Labour Force (000's)	2,042.6	2,073.9	2,064.4	2,071.5	2,074.8	2,090.5
% change	1.5	1.5	-0.5	0.3	1.2	0.8
Employment (000's)	1,860.4	1,902.2	1,890.9	1,908.2	1,909.6	1,918.3
% change	1.2	2.2	-0.3	0.9	0.7	0.5
Unemployment Rate (%)	8.9	8.3	8.4	7.9	8.0	8.2
Participation Rate (%)	64.8	65.2	64.8	64.8	64.9	65.3
CPI Inflation	0.3	1.1	1.6	1.6	1.5	1.7
ALBERTA						
Mfg Shipments (\$M)	33,409.0	N/A	8,925.0	N/A	3,212.1	N/A
% change (1)	-3.6	N/A	2.6	N/A	4.6	N/A
Retail Trade (\$M)	28,068.4	N/A	7,490.6	N/A	2,495.8	N/A
% change	4.2	N/A	5.7	N/A	0.3	N/A
Housing Starts (000's)	26.8	N/A	26.3	N/A	25.5	N/A
Labour Force (000's)	1,605.6	1,652.2	1,660.0	1,656.1	1,654.0	1,667.1
% change	3.6	2.9	0.4	-0.2	0.4	0.8
Employment (000's)	1,514.0	1,556.8	1,560.8	1,568.0	1,567.7	1,574.9
% change	3.9	2.8	0.3	0.5	0.4	0.5
Unemployment Rate (%)	5.7	5.8	6.0	5.3	5.2	5.5
Participation Rate (%)	72.2	72.3	72.4	71.9	71.8	72.3
CPI Inflation	1.1	2.4	2.7	3.3	3.1	3.3
SASKATCHEWAN						
Mfg Shipments (\$M)	5,895.5	N/A	1,557.9	N/A	549.9	N/A
% change (1)	-3.8	N/A	6.3	N/A	2.0	N/A
Retail Trade (\$M)	7,621.9	N/A	1,953.5	N/A	648.8	N/A
% change	0.0	N/A	2.4	N/A	3.2	N/A
Housing Starts (000's)	2.8	N/A	3.9	N/A	2.5	N/A
Labour Force (000's)	508.6	512.1	512.0	511.9	510.2	511.5
% change	0.9	0.7	-0.1	0.0	-0.8	0.3
Employment (000's)	478.6	480.8	482.6	483.3	483.0	483.6
% change	0.9	0.5	0.6	0.1	0.0	0.1
Unemployment Rate (%)	5.9	6.1	5.7	5.6	5.3	5.5
Participation Rate (%)	66.6	66.7	66.7	66.6	66.4	66.6
CPI Inflation	1.4	1.7	1.8	1.8	1.7	1.8
MANITOBA						
Mfg Shipments (\$M)	10,613.2	N/A	2,557.5	N/A	870.6	N/A
% change (1)	6.1	N/A	-1.8	N/A	1.2	N/A
Retail Trade (\$M)	8,772.2	N/A	2,289.4	N/A	751.4	N/A
% change	2.1	N/A	3.4	N/A	2.1	N/A
Housing Starts (000's)	2.5	N/A	3.3	N/A	2.5	N/A
Labour Force (000's)	578.9	589.5	591.5	591.9	593.6	591.4
% change	0.4	1.8	0.3	0.1	0.5	-0.4
Employment (000's)	546.1	556.8	557.1	560.0	561.9	559.5
% change	1.4	2.0	-0.1	0.5	0.6	-0.4
Unemployment Rate (%)	5.7	5.5	5.8	5.4	5.3	5.4
Participation Rate (%)	67.1	67.9	68.1	68.0	68.2	67.9
CPI Inflation	1.3	1.9	2.3	2.2	2.1	2.3

(1) % change refers to period-to-period except for CPI inflation which is year-over-year.

Key Provincial Data

	1998	1999	1999Q3	1999Q4	Nov. 1999	Dec. 1999
ONTARIO						
Mfg Shipments (\$M)	240,016.0	N/A	68,801.4	N/A	22,951.3	N/A
% change (1)	4.8	N/A	4.3	N/A	0.7	N/A
Retail Trade (\$M)	92,384.0	N/A	25,432.9	N/A	8,475.4	N/A
% change	6.9	N/A	3.6	N/A	0.6	N/A
Housing Starts (000's)	55.2	N/A	64.9	N/A	70.8	N/A
Labour Force (000's)	6,049.7	6,181.2	6,176.2	6,203.2	6,182.2	6,216.2
% change	2.3	2.2	-0.2	0.4	-0.5	0.5
Employment (000's)	5,612.9	5,786.2	5,778.4	5,848.4	5,834.5	5,869.0
% change	3.7	3.1	0.2	1.2	-0.1	0.6
Unemployment Rate (%)	7.2	6.4	6.5	5.7	5.6	5.6
Participation Rate (%)	66.3	66.8	66.5	66.5	66.3	66.6
CPI Inflation	0.9	1.9	2.4	2.5	2.3	2.9
QUEBEC						
Mfg Shipments (\$M)	107,331.7	N/A	28,701.9	N/A	10,041.7	N/A
% change (1)	3.9	N/A	3.3	N/A	3.8	N/A
Retail Trade (\$M)	56,933.9	N/A	15,201.0	N/A	5,075.4	N/A
% change	2.1	N/A	1.7	N/A	0.8	N/A
Housing Starts (000's)	24.0	N/A	25.9	N/A	25.9	N/A
Labour Force (000's)	3,713.3	3,761.6	3,758.4	3,797.9	3,807.1	3,791.1
% change	0.9	1.3	0.6	1.1	0.3	-0.4
Employment (000's)	3,327.5	3,407.4	3,405.0	3,474.2	3,487.2	3,483.9
% change	2.1	2.4	1.2	2.0	1.0	-0.1
Unemployment Rate (%)	10.4	9.4	9.4	8.5	8.4	8.1
Participation Rate (%)	62.2	62.5	62.4	62.9	63.1	62.8
CPI Inflation	1.4	1.5	1.9	2.2	2.0	2.3
NEW BRUNSWICK						
Mfg Shipments (\$M)	8,078.6	N/A	2,304.4	N/A	779.4	N/A
% change (1)	-4.4	N/A	9.0	N/A	-0.1	N/A
Retail Trade (\$M)	5,958.7	N/A	1,648.8	N/A	546.4	N/A
% change	6.1	N/A	2.8	N/A	0.6	N/A
Housing Starts (000's)	2.1	N/A	2.8	N/A	2.8	N/A
Labour Force (000's)	368.9	373.9	366	37.2	36.2	38.6
% change	1.8	1.4	-0.2	1.7	-1.9	6.6
Employment (000's)	324.2	336.1	336.3	338.6	341.3	337.3
% change	2.6	3.7	0.7	0.7	1.2	-1.2
Unemployment Rate (%)	12.1	10.1	9.8	9.9	9.6	10.3
Participation Rate (%)	60.9	61.5	61.3	61.6	61.9	61.6
CPI Inflation	0.6	1.6	2.5	2.6	2.4	3.1
NOVA SCOTIA						
Mfg Shipments (\$M)	6,829.4	N/A	1,936.1	N/A	692.2	N/A
% change (1)	5.5	N/A	1.2	N/A	0.9	N/A
Retail Trade (\$M)	7,648.8	N/A	2,024.2	N/A	681.1	N/A
% change	4.2	N/A	1.7	N/A	0.0	N/A
Housing Starts (000's)	3.1	N/A	2.6	N/A	4.3	N/A
Labour Force (000's)	452.1	458.8	457.8	460.8	461.2	461.4
% change	1.2	1.5	-0.2	0.7	0.3	0.0
Employment (000's)	403.7	414.2	416.4	415.5	416.8	415.4
% change	3.0	2.6	0.1	-0.2	0.6	-0.3
Unemployment Rate (%)	10.7	9.7	9.0	9.8	9.6	10.0
Participation Rate (%)	60.6	61.1	60.9	61.2	61.2	61.2
CPI Inflation	0.6	1.7	2.6	3.0	3.0	3.3

(1) % change refers to period-to-period except for CPI inflation which is year-over-year.

Key Provincial Data

	1998	1999	1999Q3	1999Q4	Nov. 1999	Dec. 1999
PRINCE EDWARD ISLAND						
Mfg Shipments (\$M)	882.6	N/A	246.1	N/A	100.7	N/A
% change (1)	9.4	N/A	4.4	N/A	5.1	N/A
Retail Trade (\$M)	1,043.7	N/A	295.0	N/A	98.7	N/A
% change	4.1	N/A	4.2	N/A	0.7	N/A
Housing Starts (000's)	0.4	N/A	0.7	N/A	0.6	N/A
Labour Force (000's)	70.7	72.1	70.7	72.9	73.0	73.8
% change	-0.6	2.0	-2.1	3.1	1.5	1.1
Employment (000's)	60.9	61.9	60.7	63.4	63.3	64.8
% change	0.7	1.6	-1.7	4.4	1.8	2.4
Unemployment Rate (%)	13.9	14.1	14.0	13.0	13.2	12.2
Participation Rate (%)	66.0	66.8	65.4	67.1	67.2	67.8
CPI Inflation	-0.5	1.2	1.9	2.7	2.8	3.1
NEWFOUNDLAND						
Mfg Shipments (\$M)	1,750.1	N/A	499.3	N/A	178.3	N/A
% change (1)	5.4	N/A	-1.3	N/A	14.2	N/A
Retail Trade (\$M)	3,884.7	N/A	1,039.7	N/A	352.0	N/A
% change	3.0	N/A	0.9	N/A	1.6	N/A
Housing Starts (000's)	1.4	N/A	1.3	N/A	1.6	N/A
Labour Force (000's)	241.1	250.0	249.5	250.0	251.1	211.7
% change	2.1	3.7	-1.6	0.2	0.1	0.5
Employment (000's)	197.9	208.3	208.0	210.6	210.7	211.7
% change	3.1	5.3	-0.6	1.2	0.6	0.5
Unemployment Rate (%)	17.9	16.7	16.6	15.8	16.1	14.7
Participation Rate (%)	54.1	56.3	56.3	56.3	56.6	55.8
CPI Inflation	0.2	1.5	2.0	2.3	2.2	2.9
CANADA						
Mfg Shipments (\$M)	448,749.5	N/A	124,990.2	N/A	42,551.2	N/A
% change (1)	3.2	N/A	3.9	N/A	1.8	N/A
Retail Trade (\$M)	246,184.0	N/A	66,041.2	N/A	22,007.8	N/A
% change	3.6	N/A	2.9	N/A	0.6	N/A
Housing Starts (000's)	138.2	N/A	147.1	N/A	155.1	N/A
Labour Force (000's)	15,631.5	15,925.2	15,913.3	15,991.9	15,984.5	16,026.9
% change	1.8	1.9	0.0	0.5	0.1	0.3
Employment (000's)	14,326.4	14,710.8	14,696.2	14,870.1	14,876.0	14,918.3
% change	2.8	2.7	0.4	1.2	0.4	0.3
Unemployment Rate (%)	8.3	7.6	7.7	7.0	6.9	6.9
Participation Rate (%)	65.1	65.6	65.4	65.5	65.5	65.6
CPI Inflation	0.9	1.7	2.2	2.4	2.2	2.6

(1) % change refers to period-to-period except for CPI inflation which is year-over-year.

Provincial Economic Accounts

1992 1993 1994 1995 1996 1997 1998

Real GDP at Market Prices (\$1992M)

BC	87,066	90,543	93,355	95,370	97,788	99,467	99,708
% change		4.0	3.1	2.2	2.5	1.7	0.2
Alberta	74,748	79,792	84,622	87,161	89,040	95,547	98,630
% change		6.7	6.1	3.0	2.2	7.3	3.2
Sask	21,102	22,654	23,603	23,934	24,542	25,782	26,116
% change		7.4	4.2	1.4	2.5	5.1	1.3
Manitoba	24,420	24,468	25,298	25,445	25,990	26,955	27,842
% change		0.2	3.4	0.6	2.1	3.7	3.3
Ontario	285,101	288,164	305,223	316,581	321,562	335,616	350,083
% change		1.1	5.9	3.7	1.6	4.4	4.3
Quebec	158,357	160,897	167,241	170,366	172,826	178,611	183,223
% change		1.6	3.9	1.9	1.4	3.3	2.6
New Brunswick	14,029	14,358	14,643	15,071	15,320	15,427	15,782
% change		2.3	2.0	2.9	1.7	0.7	2.3
Nova Scotia	18,071	18,193	18,256	18,578	18,602	19,124	19,674
% change		0.7	0.3	1.8	0.1	2.8	2.9
PEI	2,331	2,370	2,492	2,629	2,667	2,680	2,706
% change		1.7	5.1	5.5	1.4	0.5	1.0
Nfld	9,550	9,668	10,126	10,348	10,007	10,154	10,785
% change		1.2	4.7	2.2	-3.3	1.5	6.2
Yukon	1,090	874	864	1,005	1,110	989	994
% change		-19.8	-1.1	16.3	10.4	-10.9	0.5
NWT	2,286	2,242	2,318	2,315	2,380	2,426	2,466
% change		-1.9	3.4	-0.1	2.8	1.9	1.6
Canada	698,544	714,583	748,350	769,082	782,130	813,031	838,265
% change		2.3	4.7	2.8	1.7	4.0	3.1

Population ('000s)

BC	3,470	3,572	3,682	3,784	3,882	3,961	4,003
% change		2.9	3.1	2.8	2.6	2.0	1.1
Alberta	2,634	2,671	2,705	2,740	2,781	2,838	2,910
% change		1.4	1.3	1.3	1.5	2.0	2.5
Sask	1,004	1,007	1,010	1,014	1,019	1,022	1,026
% change		0.3	0.3	0.4	0.5	0.3	0.4
Manitoba	1,113	1,118	1,124	1,130	1,134	1,136	1,138
% change		0.4	0.5	0.5	0.4	0.2	0.2
Ontario	10,572	10,689	10,827	10,964	11,101	11,263	11,413
% change		1.1	1.3	1.3	1.2	1.5	1.3
Quebec	7,114	7,165	7,207	7,241	7,274	7,308	7,335
% change		0.7	0.6	0.5	0.5	0.5	0.4
New Brunswick	748	750	751	752	753	754	753
% change		0.3	0.1	0.1	0.1	0.1	-0.1
Nova Scotia	919	924	926	928	931	935	936
% change		0.5	0.2	0.2	0.3	0.4	0.1
PEI	131	132	134	135	136	137	137
% change		0.8	1.5	0.7	0.7	0.7	0.0
Nfld	580	580	575	568	561	554	546
% change		0.0	-0.9	-1.2	-1.2	-1.2	-1.4
Yukon	30	31	30	31	32	32	32
% change		3.3	-3.2	3.3	3.2	0.0	0.0
NWT	62	64	65	67	68	68	68
% change		3.2	1.6	3.1	1.5	0.0	0.0
Canada	28,377	28,703	29,036	29,354	29,672	30,008	30,297
% change		1.1	1.2	1.1	1.1	1.1	1.0

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